GOLD	RUPEE	OIL	SILVER
₹38,140	₹71.07	$60.90	₹47,580

Domestic stock, currency and commodity markets were closed on Wednesday on account of Gandhi Jayanti. *Indian basket as on September 29, 2019

SENSEX: 38,305.41 ▼ 361.92 **NIFTY:** 11,359.90 **NIKKEI:** 21,778.61 ▼ 106.63 **HANG SENG:** 26,042.69 ▼ 49.58 **FTSE:** 7,206.67 ▼ 153.65 **DAX:** 12,108.85 ▼ 154.98

International market data till 1900 GMT

SECTOR WATCH
INSURANCE

Vehicle 'Own Damage' cover declines as auto sales plummet

Third party premium biz rises 12.9% after SC order, new Vehicles Act

GEORGE MATHEW
MUMBAI, OCTOBER 2

INSURANCE COMPANIES have reported a decline in Own Damage (OD) cover for motor vehicles, with the automobile industry facing a bumpy ride in the ongoing slowdown in the economy.

The OD premium collection of insurers declined by 2.3 per cent to Rs 10,480 crore in August 2019 from Rs 10,724 crore in the same period of last year, according to the data available from the General Insurance Council. However, the overall motor premium collection (including OD and third party) for the month rose 5.9 per cent to Rs 26,406 crore, mainly due to the 12.9 per cent increase in third party (TP) insurance cover to Rs 15,925 crore after the Supreme Court order on mandatory insurance cover and the enactment of the new Motor Vehicles Act.

The OD business had declined by 1.9 per cent in July also while overall premium rose by 11.5 per cent. OD covers loss or damage to the vehicle insured due to accident including fire and theft.

The OD business of New India Insurance declined to Rs 1,139 crore in August from Rs 1,325 crore last year, National Insurance to Rs 975 crore from Rs 1,128 crore and United India to Rs 679 crore from Rs 756 crore.

The Supreme Court has made it mandatory for the vehicle buyers to purchase three and five year TP policies during purchase of new cars and two-wheelers, respectively. This will reduce the risk of slippages in 2-5th year. The insurers have option of attaching single or multi-year OD policies along with such TP policies.

The new Motor Vehicle Act, 2019 (which increased traffic penalties on uninsured vehicles) is driving penetration in motor TP as well. The Act increased penalties for driving uninsured vehicles by 2-4 times (to Rs 2,000 for the first offence and Rs 4,000 for the second offence).

Automobile sales witnessed the worst-ever drop in August across categories, with passenger car sales falling by as much as 41.09 per cent, according to data released by industry body Society of Indian Automobile Manufacturers (Siam).

Vehicle sales across categories, including passenger vehicles (PVs) and two-wheelers and commercial vehicles (CVs) stood at 18,21,490 units last month, as against 23,82,436 units in August 2018, a fall of 23.55 per cent. "With the decline in auto sales, OD premium growth is bound to decline. The spurt in TP premium is possibly due to the crackdown by the traffic police following the amended Motor Vehicles Act," said an insurance sector official.

The OD premium collection of insurers declined by 2.3 per cent to Rs 10,480 crore in August 2019 from Rs 10,724 crore in the same period of last year; the OD business had declined by 1.9% in July also while overall premium rose by 11.5%

A comprehensive car insurance plan has two essential components: OD premium and third party (TP) premium. TP covers any damage or injury caused by the insured, to another person or property. A TP liability cover is mandatory in India under the Motor Vehicles Act, 1988 while OD is optional.

Earlier, the IRDAI circular had stipulated a bundled cover, including OD insurance cover as a package product with a stand-alone motor TP insurance product — one year for OD bundled with long term TP cover for new car/ two-wheeler. Now this has been separated and vehicle owners can go for OD and third party separately. Bundling of cover for the OD portion was earlier permitted as an immediate requirement, keeping in view the date of implementation stipulated by the Supreme Court from September 1, 2018.

As per the new rules, policyholders have the option to renew the OD component of a bundled cover falling due on or after September 1, 2019, with the same insurer or different insurer, on an annual basis.

"Vehicle owners often do not renew their policies beyond the first year policy which is attached to the purchase of the vehicle.

According to industry players, insurance compliance with CV operators is high but lower with cars in the interiors and the lowest in two-wheelers," said a Kotak Research report.

PRE-BUDGET MEETINGS FROM OCTOBER 14

FinMin asks ministries to upload expenditure estimates on portal

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 2

THE CENTRE on Wednesday kicked off the exercise for preparation of Union Budget 2020-21, asking ministries and departments to upload their estimates of expenditure on the Union Budget Information System (UBIS) portal. The Finance Ministry will hold pre-Budget meetings from October 14 onwards with financial advisors of different ministries to prepare Revised Estimates for the current fiscal year and to make preparations for the next year.

"It is proposed to discuss the totality of the requirements of funds for various programmes and schemes, along with receipts of the Departments (viz. interest receipts, dividends, loan repayments, departmental receipts, receipts of Departmental Commercial Undertakings, etc.) during the pre- Budget meetings chaired by Secretary (Expenditure)," the Budget division of the Finance Ministry said in a circular on Wednesday.

The Finance Ministry has asked government departments and ministries to submit their estimates of revenue receipts, capital receipts and public account transactions. Revised Estimates for the current year are important as the government announced significant changes in tax laws and other measures after the presentation of the Budget in July.

Less than three months after the Union Budget, Finance Minister Nirmala Sitharaman on September 20 announced cuts in tax rates for domestic companies to 22 per cent and for new domestic manufacturing companies to 15 per cent. The reduction in corporate tax rates are estimated to cost Rs 1.45 lakh crore annually to the Exchequer. The government also tweaked various provisions in the budget including removing the surcharge on capital gains made by portfolio investors in the equity markets.

Despite the tax cuts, the government has so far not indicated that it will overshoot its fiscal deficit target of 3.3 per cent of GDP by March 2020. A review of deficit targets is expected during the finalisation of revised estimates of budget for the current year.

For the next year, the finance ministry has revised the format for Output-Outcome Monitoring Framework 2020-21 to capture more details. Since 2017-18, in addition to the financial outlays of schemes of the Ministries being indicated in the Budget document, the expected outputs and outcomes of the schemes are also being presented in a consolidated document, along with the Budget.

During these pre-Budget discussions, the Finance Ministry will also discuss actual mobilisation of Non Tax Revenue and potential collection in future. While the government has already slashed corporate tax rates, it is expected to take a decision on reducing the personal income tax rates in the upcoming Budget.

The government has also asked ministries and departments to keep the required percentage of allocation for welfare of Scheduled Castes and Scheduled Tribes, as stipulated in the guidelines framed by NITI Aayog. Ministries and departments should "even make endeavor to keep higher percentage of allocation, wherever possible" for the welfare of SC/STs, the government said. The finance ministry has suggested that the ministries ensure that allocation for SC/ST welfare is not less than the Budget Estimates for 2019-20.

The Finance Ministry has also directed all ministries/departments to appoint a nodal officer for coordinating with Ministry of Women and Child Development with regard to compulsory allocations of the gender and child budgeting. The ministries have been asked to capture these allocations as part of the expenditure profile of the next year's Budget.

EXPLAINED

Focus on fiscal math in the backdrop of govt sops, tax cuts

THE FINANCE Ministry has kicked off preparations for next year's Budget by asking ministries and departments to send expenditure and revenue estimates.

The Centre will be reconciling its estimates for the current year's Budget as significant changes to tax laws have happened since the Budget presentation in July. Next year's Budget is important in the backdrop of a sharp downturn in economic growth and structural changes in corporate tax rates, announced by the Centre to address the slowdown.

'India can become one of the largest e-vehicle markets'

India has the potential to become one of the largest electric vehicle (EV) markets in the world, with the government pushing for the segment in order to curb pollution and reduce reliance on import-dependent fossil fuel, said a report by the World Economic Forum and Ola Mobility Institute

SLOW UPTAKE
People have been slow in warming up to EVs due to the high upfront as well as lifecycle costs, but long-term investment in research and development will create sustained growth, according to the report

GOVERNMENT BACKING
and direction will be crucial for accelerating adoption and deployment of electric mobility, apart from investment

10 STATES AND UNION TERRITORIES
are leading the way in building production, infrastructure and services to increase the momentum of EV usage
These are:
- Andhra Pradesh
- Bihar
- Delhi
- Karnataka
- Kerala
- Maharashtra
- Tamil Nadu
- Telangana
- Uttarakhand
- Uttar Pradesh

THREE VALUE CHAINS
The report analysed production, infrastructure and services of these states and found that most emphasised on the production of EV value chain, aspiring to be manufacturing hubs for such vehicles as well as their parts

INFRASTRUCTURE VALUE CHAIN
Provisions for installation of charging infrastructure in public and private places were made by most states to address range anxiety

System 'sound & stable', forced stake sale behind stock fall, says Yes Bank

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 2

YES BANK on Wednesday said a forced stake sale by a shareholder led to a steep fall in the bank's stock in the previous session.

Stating that its financial and operating metrics remain intrinsically "sound and stable", with liquidity position well in excess of regulatory requirements, the bank said, "Yes Bank's share price observed a material drop on October 1. This fall was primarily on account of the forced sale of 10 crore equity shares (3.92 per cent of the bank's equity share capital) triggered by an invocation of pledge on the equity shares of a large stakeholder," the bank said in a stock exchange filing. "It may be noted that with this sale, the entire pledge stands extinguished and all sale under the same duly completed," it said.

Milestone Trusteeship Services Ltd, the trustee for an issue of bonds by Yes Bank promoter Morgan Credits Private Ltd, invoked and sold 10 crore shares of the bank pledged by founder Rana Kapoor.

On Tuesday, Yes Bank shares went into a tailspin despite a positive opening, tumbling nearly 23 per cent. The scrip came under massive selling pressure in afternoon trade, giving up its early gains and plunged 29.91 per cent to Rs 29.05 — its multi-year low — during the day on the BSE. It later, closed at Rs 32, down 22.80 per cent. This is fifth consecutive session of fall for Yes Bank when it tanked nearly 43 per cent. During the five days of fall, the company's market valuation eroded by Rs 4,828.91 crore.

"Over the past few days, unfounded speculations regarding the bank's deposits/liquidity have been brought to its notice," said the bank, adding: "The bank had a liquidity coverage ratio in excess of 125 per cent as on September 30, 2019, which is well above the minimum regulatory requirement of 100 per cent."

Samsung ends production of mobile phones in China

REUTERS
SEOUL, OCTOBER 2

SAMSUNG ELECTRONICS Co Ltd has ended mobile telephone production in China, it said on Wednesday, hurt by intensifying competition from domestic rivals in the world's biggest smartphone market.

The shutdown of Samsung's last China phone factory comes after it cut production at the plant in the southern city of Huizhou in June and suspended another factory late last year, underscoring stiff competition in the country.

The South Korean tech giant's ceased phone production in China follows other manufacturers shifting production from China due to rising labour costs and the economic slowdown.

Sony also said it was closing its Beijing smartphone plant and would only make smartphones in Thailand. But Apple still makes major products in China.

Samsung's share of the Chinese market shrank to 1 per cent in the first quarter from around 15 per cent in mid-2013, as it lost out to fast-growing homegrown brands such as Huawei Technologies and Xiaomi Corp, according to market research firm Counterpoint.

GOVT CUT CORPORATE TAX RATES ON SEPT 20

Opting for new tax structure: No MAT credit, additional depreciation benefits

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 2

CLARIFYING ON the recent decision to lower corporate tax rate, the Central Board of Direct Taxes (CBDT) on Wednesday said companies that opt for the new tax regime will not be allowed to avail of accumulated credits of Minimum Alternate Tax (MAT).

Also, a domestic company by opting for the lower corporate tax rate will not be allowed to claim set off of any brought forward loss on account of additional depreciation, it said.

"It may be noted that as the provisions of the section 115JB relating to MAT itself shall not be applicable to the domestic company which exercises option under section 115BAA, it is hereby clarified that the tax credit of MAT paid by the domestic company which exercises option under section 115BAA, it is hereby clarified that the tax credit shall not be available consequent to exercising of such option," the CBDT circular said.

On September 20, the Centre announced cuts in tax rates for domestic firms to 22 per cent and for new domestic manufacturing firms to 15 per cent. It was announced that firms that chose to continue with pre-amended tax rates would see their MAT reduce to 15 per cent from 18.5 per cent. The new effective tax rate, inclusive of surcharge and cess for domestic companies, is 25.17 per cent and for new domestic manufacturing companies is 17.01 per cent.

Earlier, the tax rate for companies with annual sales over Rs 400 crore was 30 per cent (exclusive of surcharge and cess).

The CBDT circular stated that "as there is no time line within which the option under section 115BAA can be exercised, it may be noted that a domestic company" having MAT credit and brought forward losses on account of additional depreciation may, if it so desires, exercise the option after utilizing MAT credit/set off of losses so accumulated.

Tax experts said not allowing MAT credit at the time of transition was perhaps done to minimise the cost to the exchequer. In 2017-18, companies had claimed MAT credits worth Rs 15,365 crore, according to Budget documents.

Rohinton Sidhwa, partner, Deloitte India, said, "The issue was whether at the time of the switch a one-time write-off of MAT credit would be triggered or not. The circular now confirms that it will. This could be a huge cost to some companies who will now perhaps consider continuing under the old regime for the time being. This was perhaps done to minimize the costs to the exchequer for the transition." Amit Maheshwari, partner, Ashok Maheshwary & Associates LLP said, "This is a welcome clarification on the stand of the government on denial of accumulated MAT credits. However, this is the view of the department and since the section related to carry forward of MAT credit is not amended, this may result in litigation. It's important to note that circulars are not binding on taxpayers but are binding on tax department".

'Focus on non-tax revenues to offset revenue deficit'

PRESS TRUST OF INDIA
HYDERABAD, OCTOBER 2

DESCRIBING THE recent corporate tax cut as a signal to structural reforms, Chief Economic Advisor K V Subramanian on Wednesday said the government needs to focus on non-tax revenues to offset the revenue deficit if any.

He maintained that the fall in GST collections was expected as the nominal growth has declined. "From 2004 to 2014 we did not implement any structural reforms. During 2014 to 2019 we have implemented a couple of them like Bankruptcy Code and GST. So I would say that this is the time where we need to focus on implementing structural reforms," he told *PTI* on the sidelines of a programme.

"The (corporate) tax rate cut is a historic change which clearly signals the intent of the government to implement the structural reforms that are necessary for high growth rate," he added.

According to him, the government is taking steps to ensure that the country grows at high growth rates of close to 8 per cent.

BRIEFLY

CBDT issues about 17,500 DINs on Day 1

New Delhi: About 17,500 communications with Documentation Identification Number (DIN) system of Central Board of Direct Taxes (CBDT) were issued on the first day of its launch. To ensure transparency in tax administration, the government from October 1 will ensure document trail of notice, letter, order and summon or any other communication by the tax department with every communication having a DIN. **ENS**

Religare to sell NBFC arm for ₹330 crore

New Delhi: Religare Enterprises is selling its entire stake in NBFC arm Religare Finvest Ltd to TCG Advisory Services for around Rs 330 crore, according to a filing on Wednesday. **PTI**

Walmart pulls heartburn drug Zantac

Bengaluru: Walmart has suspended the sale of heartburn medication containing ranitidine after reports of a probable cancer-causing impurity in it. **REUTERS**

Debt of developing nations jumps 5% to $7.8 trillion, says World Bank

AGENCE FRANCE-PRESSE
WAHINGTON, OCTOBER 2

TOTAL FOREIGN debt held by developing nations jumped more than 5 per cent to $7.8 trillion, driven by a surge in Chinese debt, the World Bank said in a report on Wednesday. But the data show an increasing share of countries where the debt burden is rising, according to the International Debt Statistics Report.

A growing appetite for yuan-denominated debt was behind a 15 per cent surge in China's debt level, which helped push up the total, the World Bank said in a statement.

RETALIATION FOR EU'S 'ILLEGAL' SUPPORT OF AIRBUS

Airbus subsidies: WTO okays US tariffs on $7.5 bn of EU goods

REUTERS
LONDON/BRUSSELS/GENEVA, OCTOBER 2

THE US won approval on Wednesday to slap import tariffs on $7.5 billion worth of European goods over illegal EU subsidies handed to Airbus, threatening to trigger a tit-for-tat transatlantic trade war as the global economy falters.

The decision by the World Trade Organization pushes a 15-year corporate dispute over illegal support for transatlantic plane giants to the centre of caustic world trade relations and comes on top of a tariff war between Washington and Beijing.

A panel of three WTO arbitrators said the United States had suffered harm equivalent to $7.5 billion a year from discounted European government loans for big jets like the Airbus A380, the world's largest airliner. The decision — confirming a figure reported by *Reuters* last week — allows Washington to target EU goods also worth $7.5 billion, but bars tariffs on financial services.

In response, the European Commission said US trade sanctions would be "short-sighted and counterproductive". There was no immediate comment from US officials. The WTO had already found that both Europe's Airbus and its US rival Boeing received billions of dollars of illegal subsidies in the world's largest corporate trade dispute, a legal marathon dating back to 2004.

The global trade body is due to decide early next year on the level of annual tariffs the EU can impose on US imports.

The focus of nervous markets will now shift to Washington, where President Donald Trump has taken an aggressive stance on international trade relations. The US Trade Representative is expected to move quickly to narrow down a preliminary list of goods in line for tariffs, two US sources said. The agency's provisional list of products eligible to be targeted with tariffs covers European goods with an annual import value of $25 billion and ranges from Airbus jets themselves to helicopters, wine, spirits, handbags and cheese.

Broad selling amid worries over slowing global growth that had punished European stocks earlier on Wednesday accelerated as the ruling revived worries about damage to the already-ailing regional economy. The pan European STOXX 600 index was down 2.5 per cent, on track for its worst day since December 2018.

Tariffs could still be avoided: Boeing

London: Boeing on Wednesday urged Airbus to comply with World Trade Organization rulings on European subsidies to avoid sanctions from the United States that would hurt not only the planemaker but also the wider European economy.

"Europe is facing tariffs today because Airbus has refused for years to comply with WTO rulings," Boeing said in a statement. **REUTERS**

RCEP ministers to meet in Bangkok from Oct 10-12

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 2

TRADE MINISTERS of the 16-nation Regional Comprehensive Economic Partnership (RCEP) grouping will meet in Bangkok on October 10-12, in what could be the last ministerial before a potential deal is sealed in November, an official source said. Commerce and industry Minister Piyush Goyal will attend the meeting next week.

Trade analysts and economists have highlighted the importance of India joining the RCEP to better integrate with the global value chain. But several domestic industries have resisted any such deal on fears that cheap Chinese products will flood Indian markets. **FE**